



ABLV

BANKING / INVESTMENTS \ ADVISORY

# ABLV Bank, AS

Financial Information  
January – March 2018

## Bank's Management Report

Ladies and gentlemen, dear ABLV Bank, AS shareholders,

After the statement by the Financial Crimes Enforcement Network of the U.S. Department of the Treasury was released on 13 February 2018, ABLV Bank, AS faced certain difficulties on financial markets, which resulted in short-term liquidity problems. Based on that, on 19 February 2018, the Financial and Capital Market Commission (FCMC) following the instructions of the European Central Bank made a decision to impose payment restrictions on debit operations of the bank's clients in order to give the bank some time for taking measures for stabilisation of the situation and ensuring the necessary funds for normal operation.

Regardless of that the bank fulfilled the regulator's requirements for resuming the operation by accumulating more than EUR 1.36 billion for strengthening its liquidity, on 23 February 2018, ABLV Bank received a decision of the FCMC Council about "Occurrence of Unavailability of Deposits" in the bank. Such decision basically means that the bank has to undergo liquidation process.

In order to ensure the best protection of the interests of clients and creditors, at the extraordinary general shareholders' meeting on 26 February 2018, ABLV Bank made a decision about voluntary liquidation. ABLV Bank believes that this way it will be able to ensure the best protection of its assets for settlement with all creditors in full.

The bank has covered all its obligations against the Bank of Latvia from the accumulated cash, and has ensured the cash for the Deposit Guarantee Fund for disbursement of guaranteed compensations to the clients, which was started on 3 March 2018.

General shareholders' meeting approved the team of liquidators who have already started taking the necessary steps to prepare for the liquidation process. On 5 March 2018, they submitted a voluntary liquidation plan to the FCMC, and there is an opinion about this plan coming soon from an independent international auditing firm. Currently, the board of the bank is working on optimisation of the structure of ABLV Group in order to make voluntary liquidation process as simple and transparent as possible.

Also, the bank continues selling its securities and has accumulated more than EUR 700 million in cash with the Bank of Latvia.

In April, we have started terminating employment relationships with certain employees whose services will not be required during the liquidation process.

Our liquidity and capital adequacy ratios are still at very high levels and are significantly exceeding the regulatory minimums. As at 31 March 2018, the amount of ABLV Bank, AS assets is totally sufficient to cover claims of all creditors, which is also a reason stipulated in the regulatory enactments of the Republic of Latvia for making a decision about approving the process of voluntary liquidation.

Key financial indicators:

- As at 31 March 2018, the total amount of the bank's assets reached EUR 2.44 billion, volume of deposits — EUR 1.63 billion, while loan portfolio constitutes EUR 897.6 million.
- The bank's profit in Q1 2018 reached EUR 2.5 million.
- The bank's capital and reserves amounted to EUR 350.4 million.
- The bank's capital adequacy level as at 31 March 2018 was 21.33% (while minimal requirement is 11.5%), and liquidity ratio equalled 84.21% (while minimal requirement is 30%).

In collaboration with our US attorneys, in March, we continued compiling a response to FinCEN, providing in this letter all and any information we have about the accusations released in the FinCEN Proposal.

We would like to thank clients, employees and shareholders for your understanding and support in the given circumstances!

Chairman of the Board  
**Ernests Bernis**

Member of the Board  
**Romāns Surnačovs**

Riga, 9 April 2018

## Balance Sheet

	EUR'000		
	31/03/2018	23/02/2018	31/12/2017
<b>Assets</b>	(non-audited)	(non-audited)	(non-audited)
Cash	7,483	12,002	13,521
Demand deposits with Latvijas Banka	718,917	693,988	388,993
Demand deposits with credit institutions	90,111	66,265	233,086
Financial asset at fair value through profit or loss	14,787	13,246	13,225
<i>Financial assets held for trading</i>	14,782	13,236	13,129
<i>Positive market values from derivatives</i>	5	10	96
Financial asset at fair value through other comprehensive income	233,174	583,690	-
Available-for-sale financial assets	-	-	995,749
Financial assets at amortised cost	1,154,097	1,320,320	1,055,109
<i>Loans to customers</i>	897,628	963,799	996,098
<i>Loans to credit institutions</i>	13,424	13,880	52,047
<i>Debt securities</i>	243,045	342,641	6,964
Held to maturity investments	-	-	772,656
Prepaid expense and accrued income	1,507	1,995	1,932
Tangible fixed assets	9,234	9,280	9,405
Investment properties	20,875	20,875	20,875
Intangible fixed assets	5,014	5,129	5,390
Investments in subsidiaries	176,562	170,912	170,912
Tax assets	1,688	1,468	1,468
Other assets	9,140	412,186	1,551
<b>Total assets</b>	<b>2,442,589</b>	<b>3,311,356</b>	<b>3,683,872</b>
<b>Liabilities</b>			
Liabilities due to Latvijas Banka	-	347,200	50,000
Demand deposits from credit institutions	8,608	15,725	31,394
Financial liabilities at fair value through profit or loss	303	19,090	-
Financial liabilities held for trading	-	-	230
Financial liabilities at amortised cost	2,061,138	2,554,822	3,231,419
<i>Deposits</i>	1,633,862	2,107,118	2,679,950
<i>Issued ordinary bonds</i>	287,236	308,064	403,134
<i>Issued subordinated bonds</i>	125,889	125,449	126,193
<i>Subordinated deposits</i>	12,158	12,172	12,341
<i>Term deposits from credit institutions</i>	1,993	2,019	9,801
Deferred income and accrued expense	2,542	9,940	9,776
Allowances for impairment of financial commitments	275	192	-
Tax liabilities	-	-	-
Other liabilities	19,278	9,930	5,622
<b>Total liabilities</b>	<b>2,092,144</b>	<b>2,956,899</b>	<b>3,328,441</b>
Total shareholders' equity	350,445	354,457	355,431
<b>Total liabilities and shareholders' equity</b>	<b>2,442,589</b>	<b>3,311,356</b>	<b>3,683,872</b>
<b>Memorandum items</b>			
Contingent liabilities	7,620	10,423	7,227
Financial commitments	40,948	153,594	145,904

## Income Statements

Title of entry	EUR'000		
	01/01/2018– 31/03/2018 (non-audited)	01/01/2018– 23/02/2018 (non-audited)	01/01/2017– 31/03/2017 (non-audited)
Interest income	16,381	10,779	20,286
Interest expense	(3,708)	(1,999)	(4,853)
Dividends received	-	-	307
Commission and fee income	3,997	4,010	9,170
Commission and fee expense	(1,495)	(1,249)	(2,932)
Net gain/(loss) on transactions with financial instruments	(4,949)	2,651	4,968
Other income	6,279	77	859
Other expense	(332)	(113)	(331)
Administrative expense	(12,107)	(4,972)	(12,039)
Depreciation	(826)	(549)	(787)
(Impairment)/ reversal of impairment on financial assets	(773)	978	682
<b>Profit/ (loss) before corporate income tax</b>	<b>2,467</b>	<b>9,613</b>	<b>15,330</b>
Corporate income tax	(7)	(190)	(569)
<b>Net profit/ (loss) for the period</b>	<b>2,460</b>	<b>9,423</b>	<b>14,761</b>

## Performance Indicators

Title of entry	Minimum regulatory requirements	31/03/2018	23/02/2018	31/12/2017
		(non-audited)	(non-audited)	(non-audited)
Liquidity ratio (%)	30.00	84.21	86.28	81.05
Common Equity Tier 1 capital ratio (CET1) (%)	8.00	16.58	16.14	16.26
Capital adequacy ratio (CAR) (%)	11.50	21.33	20.87	21.06